

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2163-01
Bill No.: HB 1104
Subject: Education, Higher; Public Assistance; Higher Education Department
Type: Original
Date: April 27, 2015

Bill Summary: This proposal establishes the Missouri Workforce Investment Scholarship Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$18,181,918)	(Could exceed \$34,297,858)	(Could exceed \$34,299,035)
Total Estimated Net Effect on General Revenue	(Could exceed \$18,181,918)	(Could exceed \$34,297,858)	(Could exceed \$34,299,035)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Missouri Workforce Investment Scholarship*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfers in and costs net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar scholarship program being proposed this year, officials at the **Department of Higher Education (DHE)** assumed that in the Fall 2014, 14,407 first-time, full-time Missouri residents enrolled as freshmen at public two-year institutions.

DHE estimated the cost of tuition and mandatory fees at public two-year institutions on the average A+ award, which is \$2,500 for the current academic year.

Based on current data collection, DHE is unable to determine the amount of gift aid students receive. As a result, this estimate assumes that students will receive no other gift aid. In addition, the program awards are limited to students pursuing associate degrees, certificates, or diplomas. DHE estimated approximately half of the first-time, full-time students enrolling as freshmen at public two-year institutions receive a payment through A+, so we assume the other half of those students would receive a payment under the proposed program.

Assuming enrollment numbers remain consistent and all eligible students opt to receive the Missouri Workforce Investment Scholarship, the total number of students to receive a payment in the first year (FY 2016) would be 7,204 ($14,407 \times .5$). At an average award of \$2,500, the initial program cost would be \$18,010,000. In FY 2017, assuming a ten percent attrition rate and that all continuing students meet the requirements of the bill, the cost would be \$34,220,000 [$7,204 + (7,204 \times .9) = 13,688 \times \$2,500$]. Although a substantial percent of students will not complete their program within the two year time frame, we assume that additional cost will be offset by students completing shorter programs before the end of the two year window. Therefore, the FY 2017 cost is considered to be the ongoing cost, although tuition increases and potential changes in enrollment patterns by students which cannot be predicted may have an impact on program cost in the future.

Since this is a large new program, DHE would need one additional FTE at the Research Associate I level and expect all costs to last the life of the program.

ASSUMPTION (continued)

According to ITSD this proposal would require IT to implement and provide on-going maintenance for the distribution of funds, returning funds and determining yearly eligibility requirements. It is estimated to cost \$129,600 in FY 2016, \$26,568 in FY 2017 and \$27,232 in FY 2018.

Oversight notes that this allows students to qualify for this program if they attend part-time. Oversight is not able to determine how many students attend part-time. Therefore, Oversight will show the impact as Could exceed \$18,010,000.

Officials at the **State Technical College of Missouri** assume this would not have a direct fiscal impact. If money is appropriated to this fund, it could help some students attend State Tech potentially leading to increased enrollment in the future which would have an indirect positive impact.

Officials at the **Missouri State University, Missouri Western State University** and the **St. Louis Community College** each assume there is no fiscal impact to their respective organization from this proposal.

Officials at the **Joint Committee on Administrative Rules** and the **Office of the State Treasurer** each assume there is no fiscal impact to their respective agency from this proposal.

In response to similar legislation filed this year, officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Oversight notes this proposal would only impact students attending a public or private two-year institution of higher education. Oversight assumes the universities would not be impacted.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Transfer Out - MO Workforce Investment Scholarships Fund</u>	(Could exceed \$18,010,000)	(Could exceed \$34,220,000)	(Could exceed \$34,220,000)
<u>Cost - Dept of Higher Education</u>			
Personal Service	(\$27,840)	(\$33,742)	(\$34,080)
Fringe Benefits	(\$14,478)	(\$17,548)	(\$17,723)
Computer Programming costs	<u>(\$129,600)</u>	<u>(\$26,568)</u>	<u>(\$27,232)</u>
<u>Total Costs - DHE</u>	<u>(\$171,918)</u>	<u>(\$77,858)</u>	<u>(\$79,035)</u>
FTE Change - DHE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Could exceed \$18,181,918)</u>	<u>(Could exceed \$34,297,858)</u>	<u>(Could exceed \$34,299,035)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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**MISSOURI WORKFORCE
 INVESTMENT SCHOLARSHIP
 FUND**

<u>Transfer In</u> - from General Revenue	Could exceed \$18,010,000	Could exceed \$34,220,000	Could exceed \$34,220,000
<u>Revenue</u> - gifts, bequests	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Costs</u> - MO Workforce Investment Scholarships distributed	(Could exceed <u>\$18,110,000</u>)	(Could exceed <u>\$34,320,000</u>)	(Could exceed <u>\$34,320,000</u>)

**ESTIMATED NET EFFECT ON
 MISSOURI WORKFORCE
 INVESTMENT SCHOLARSHIP
 FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the Missouri Workforce Investment Scholarship Act. In its main provisions, the bill:

- (1) Requires the Coordinating Board for Higher Education within the Department of Higher Education to promulgate rules, implement those rules, and administer the Missouri Workforce Investment Scholarship Program for Missouri residents seeking an associate's degree, certificate,

FISCAL DESCRIPTION (continued)

or diploma from an eligible postsecondary institution under specified terms and conditions;

(2) Prohibits students who participate in the A+ Schools Program from being considered eligible for a scholarship under the Missouri Workforce Investment Scholarship Program; and

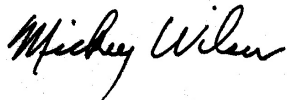
(3) Creates the Missouri Workforce Investment Scholarship Fund consisting of moneys appropriated annually by the General Assembly and any gifts, bequests, or donations to be used solely for the administration of the program.

These provisions of the bill will expire six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Administrative Rules
Missouri State University
Missouri Western State University
Office of the Secretary of State
Office of the State Treasurer
St. Louis Community College
State Technical College of Missouri



Mickey Wilson, CPA
Director
April 27, 2015

Ross Strobe
Assistant Director
April 27, 2015